

**CITY OF OKOBOJI**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2011**

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## CITY OF OKOBOJI

### CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mary Vander Woude	Mayor	December 31, 2011
Neal Christensen	Council Member	December 31, 2013
Jim Delperdang	Council Member	December 31, 2011
Sue Larsen	Council Member	December 31, 2013
Jim Hentges	Council Member	December 31, 2011
Jerry Robinson	Council Member	December 31, 2013
Dennis Daly	City Administrator / Clerk	December 31, 2013
Michael Chozen	City Attorney	December 31, 2013

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*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
Members of the City Council  
City of Okoboji  
Okoboji, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the primary government of the City of Okoboji, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund for the primary government of the City of Okoboji as of June 30, 2011 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011 on our consideration of the City of Okoboji's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 17 through 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. The financial statements for the four years ended June 30, 2005 (not presented herein) were previously audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 3 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Winter, Stare & Co., LLP*

November 29, 2011

CITY OF OKOBOJI  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety .....	\$ 317,850	\$ -	\$ -	\$ -
Public works .....	255,502	11,484	78,638	-
Culture and recreation .....	25,525	-	-	-
Community and economic development .....	153,896	-	-	-
General government .....	413,848	-	-	-
Debt service .....	667,829	-	4,500	-
Capital projects .....	181,604	-	-	-
Total governmental activities	<u>2,016,054</u>	<u>11,484</u>	<u>83,138</u>	<u>-</u>
Business-type activities:				
Water .....	632,190	419,736	-	-
Total business-type activities	<u>632,190</u>	<u>419,736</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u><u>\$ 2,648,244</u></u>	<u><u>\$ 431,220</u></u>	<u><u>\$ 83,138</u></u>	<u><u>\$ -</u></u>

General Receipts:

Property and other City tax levied for:

General purposes .....	
Tax increment financing collections .....	
Debt service .....	
Local option sales tax .....	
Hotel/motel tax .....	
Unrestricted interest on investments .....	
Capital loan note proceeds .....	
Miscellaneous .....	

Transfers .....

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets - beginning of year

Cash basis net assets - end of year

Cash basis net assets

Restricted, expendable:

Streets
Urban renewal purposes
Debt service
Unrestricted

Total cash basis net assets

See Notes to Financial Statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (317,850)	\$ -	\$ (317,850)
(165,380)	-	(165,380)
(25,525)	-	(25,525)
(153,896)	-	(153,896)
(413,848)	-	(413,848)
(663,329)	-	(663,329)
(181,604)	-	(181,604)
<u>(1,921,432)</u>	<u>-</u>	<u>(1,921,432)</u>
-	(212,454)	(212,454)
<u>-</u>	<u>(212,454)</u>	<u>(212,454)</u>
<u>(1,921,432)</u>	<u>(212,454)</u>	<u>(2,133,886)</u>
595,944	-	595,944
42,929	-	42,929
518,011	-	518,011
164,213	-	164,213
204,161	-	204,161
5,025	214	5,239
125,000	167,139	292,139
88,143	3,395	91,538
<u>-</u>	<u>-</u>	<u>-</u>
<u>1,743,426</u>	<u>170,748</u>	<u>1,914,174</u>
(178,006)	(41,706)	(219,712)
<u>376,604</u>	<u>241,594</u>	<u>618,198</u>
<u>\$ 198,598</u>	<u>\$ 199,888</u>	<u>\$ 398,486</u>
\$ 61,175	\$ -	\$ 61,175
9,361	-	9,361
	6,047	6,047
<u>128,062</u>	<u>193,841</u>	<u>321,903</u>
<u>\$ 198,598</u>	<u>\$ 199,888</u>	<u>\$ 398,486</u>

See Notes to Financial Statements

CITY OF OKOBOJI  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Debt Service
RECEIPTS:				
Property tax .....	\$ 550,527	\$ -	\$ -	\$ 514,771
Tax increment financing .....	-	-	42,929	-
Other city tax .....	413,791	-	-	3,240
Licenses and permits .....	15,489	-	-	-
Use of money and property .....	5,025	-	-	-
Intergovernmental .....	-	78,638	-	-
Charges for service .....	11,484	-	-	-
Miscellaneous .....	72,654	-	-	4,500
TOTAL RECEIPTS	<u>1,068,970</u>	<u>78,638</u>	<u>42,929</u>	<u>522,511</u>
DISBURSEMENTS:				
Operating:				
Public safety .....	317,850	-	-	-
Public works .....	156,880	98,622	-	-
Culture and recreation .....	25,525	-	-	-
Community and economic development .....	153,896	-	-	-
General government .....	413,848	-	-	-
Debt service .....	-	-	114,222	553,607
Capital projects .....	-	-	-	-
TOTAL DISBURSEMENTS	<u>1,067,999</u>	<u>98,622</u>	<u>114,222</u>	<u>553,607</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>971</u>	<u>(19,984)</u>	<u>(71,293)</u>	<u>(31,096)</u>
OTHER FINANCING SOURCES:				
Proceeds from notes.....	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN CASH BALANCES	971	(19,984)	(71,293)	(31,096)
CASH BALANCES - BEGINNING OF YEAR	<u>127,317</u>	<u>81,159</u>	<u>80,654</u>	<u>30,870</u>
CASH BALANCES - END OF YEAR	<u>\$ 128,288</u>	<u>\$ 61,175</u>	<u>\$ 9,361</u>	<u>\$ (226)</u>
CASH BASIS FUND BALANCES:				
Restricted for:				
Urban renewal purposes.....	\$ -	\$ -	\$ 9,361	\$ -
Streets.....	-	61,175	-	-
Unassigned.....	<u>128,288</u>	<u>-</u>	<u>-</u>	<u>(226)</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 128,288</u>	<u>\$ 61,175</u>	<u>\$ 9,361</u>	<u>\$ (226)</u>

See Notes to Financial Statements



Exhibit B

<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ 1,065,298
-	42,929
-	417,031
-	15,489
-	5,025
-	78,638
-	11,484
-	77,154
-	<u>1,713,048</u>
-	317,850
-	255,502
-	25,525
-	153,896
-	413,848
-	667,829
181,604	181,604
<u>181,604</u>	<u>2,016,054</u>
<u>(181,604)</u>	<u>(303,006)</u>
125,000	125,000
<u>125,000</u>	<u>125,000</u>
(56,604)	(178,006)
<u>56,604</u>	<u>376,604</u>
<u>\$ -</u>	<u>\$ 198,598</u>
\$ -	\$ 9,361
-	61,175
-	128,062
<u>\$ -</u>	<u>\$ 198,598</u>

See Notes to Financial Statements

CITY OF OKOBOJI  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGE IN CASH BALANCES  
PROPRIETARY FUND  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Water</u>
OPERATING RECEIPTS:	
Charges for service .....	\$ 419,736
Miscellaneous .....	<u>3,395</u>
TOTAL OPERATING RECEIPTS	<u>423,131</u>
DISBURSEMENTS:	
Business-type activities .....	<u>280,386</u>
TOTAL OPERATING DISBURSEMENTS	<u>280,386</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>142,745</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):	
Interest on investments .....	214
Capital loan note proceeds .....	167,139
Debt service .....	(134,947)
Capital projects .....	<u>(216,857)</u>
NET NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(184,451)</u>
NET CHANGE IN CASH BALANCE	(41,706)
CASH BALANCE - BEGINNING OF YEAR	<u>241,594</u>
CASH BALANCE - END OF YEAR	<u><u>\$ 199,888</u></u>
CASH BASIS FUND BALANCE:	
Restricted for debt service .....	\$ 6,047
Unrestricted.....	<u>193,841</u>
TOTAL CASH BASIS FUND BALANCE	<u><u>\$ 199,888</u></u>

CITY OF OKOBOJI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Okoboji is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1922 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water utility services for its citizens.

**A. Reporting Entity**

For financial reporting purposes, City of Okoboji has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Government Accounting Standards Board criteria.

Related Organization - The City participates with the City of Arnolds Park in the operation of Central Water System (System), which is organized under the Code of Iowa, Chapter 28E, and provides water system services to the two municipalities and an unrelated regional water system. The System is a component unit of the City of Arnolds Park, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2011 totaled \$142,673, approximately 45% of total System revenues.

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Committee, and Dickinson County Joint E911 Service Board.

**B. Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF OKOBOJI  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Basis of Presentation - Continued**

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. There are no governmental funds reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water system.

CITY OF OKOBOJI  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting**

The City of Okoboji maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service function.

**E. Subsequent Events**

Management has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

**F. Governmental Cash Basis Fund Balances**

In the governmental fund financials statements, cash basis fund balances are classified as follows:

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Unassigned* - All amounts not included in the restricted spendable classification.

**2. CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF OKOBOJI  
NOTES TO FINANCIAL STATEMENTS - Continued

**2. CASH AND POOLED INVESTMENTS - Continued**

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**3. BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for general obligation and revenue notes and bonds are as follows:

Year Ending June 30,	General Obligation Notes and Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 664,000	\$ 191,830	\$ 44,000	\$ 28,560	\$ 708,000	\$ 220,390
2013	585,000	164,602	45,000	27,225	630,000	191,827
2014	551,000	144,514	47,000	25,845	598,000	170,359
2015	567,000	125,672	48,000	24,420	615,000	150,092
2016	584,000	105,563	50,000	22,950	634,000	128,513
2017 - 2021	1,919,940	236,549	275,000	90,975	2,194,940	327,524
2022 - 2026	325,000	30,720	321,000	46,335	646,000	77,055
2027 - 2031			144,000	4,350	144,000	4,350
Total	<u>\$5,195,940</u>	<u>\$ 999,450</u>	<u>\$ 974,000</u>	<u>\$ 270,660</u>	<u>\$6,169,940</u>	<u>\$1,270,110</u>

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund unless payable from a special revenue fund as noted below.

Certain general obligation bonds and notes were issued for the purpose of defraying a portion of the costs of carrying out projects within the urban renewal district of the City. The bonds and notes are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of bonds being repaid from TIF receipts shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. Total principal and interest remaining on the bonds expected to be paid from TIF receipts is \$515,000, payable through June 2020. For the current year, interest paid and total TIF receipts were \$24,222 and \$42,929, respectively.

CITY OF OKOBOJI  
NOTES TO FINANCIAL STATEMENTS - Continued

**3. BONDS AND NOTES PAYABLE - Continued**

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,283,000 in water revenue notes issued in October 2008, with cumulative proceeds of \$1,103,000 received through June 30, 2011. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the notes are expected to require 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,244,660. For the current year, principal and interest paid and total customer net receipts were \$72,480 and \$142,745, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

**4. PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary, and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$30,559, \$30,628, and \$27,520, respectively, equal to the required contributions for each year.

**5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees. There are nine active and no retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for retiree coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

CITY OF OKOBOJI  
NOTES TO FINANCIAL STATEMENTS - Continued

**5. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued**

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$454 for single coverage and \$1,140 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City made no contributions to the retiree benefit plan.

**6. COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2011 is \$22,188, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2011.

**7. RISK MANAGEMENT**

The City of Okoboji is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.



CITY OF OKOBOJI  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. RISK MANAGEMENT - Continued**

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$33,560.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions; however, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Okoboji also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**8. LITIGATION**

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

CITY OF OKOBOJI  
NOTES TO FINANCIAL STATEMENTS - Continued

**9. COMMITMENTS AND CONTINGENCIES**

The City has committed to provide funding along with the City of Arnolds Park to Central Water Systems for a plant expansion project. The commitment will be paid as the project progresses from the proceeds of an approximately \$4,400,000 general obligation capital loan note issued in June 2009 through the State Revolving Loan Fund. At June 30, 2011, \$1,566,713 has been paid to Central Water System, with advances of \$1,725,940 from the State Revolving Loan Fund. In 2011, the City received a \$875,000 I-Jobs grant to be used as the project progresses.

The City has also pledged economic development payments to two local non-profit organizations. Annual pledges total \$17,500 for the year ending June 30, 2012.

**10. DEFICIT BALANCE**

The Debt Service Fund had a deficit balance of \$226 at June, 30, 2011. The debt service tax levy has been increased to eliminate the deficit.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF OKOBOJI  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
RECEIPTS:		
Property tax .....	\$ 1,065,298	\$ -
Tax increment financing .....	42,929	-
Other city tax .....	417,031	-
Licenses and permits .....	15,489	-
Use of money and property .....	5,025	214
Intergovernmental .....	78,638	-
Charges for service .....	11,484	419,736
Miscellaneous .....	77,154	3,395
TOTAL RECEIPTS	<u>1,713,048</u>	<u>423,345</u>
DISBURSEMENTS:		
Public safety .....	317,850	-
Public works .....	255,502	-
Culture and recreation .....	25,525	-
Community and economic development .....	153,896	-
General government .....	413,848	-
Debt service .....	667,829	-
Capital projects .....	181,604	-
Business-type activities .....	-	632,190
TOTAL DISBURSEMENTS	<u>2,016,054</u>	<u>632,190</u>
DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS	(303,006)	(208,845)
OTHER FINANCING SOURCES .....	<u>125,000</u>	<u>167,139</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	(178,006)	(41,706)
CASH BALANCES - BEGINNING OF YEAR	<u>376,604</u>	<u>241,594</u>
CASH BALANCES - END OF YEAR	<u>\$ 198,598</u>	<u>\$ 199,888</u>

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 1,065,298	\$ 1,077,178	\$ 1,077,178	\$ (11,880)
42,929	41,705	41,705	1,224
417,031	394,415	394,415	22,616
15,489	12,800	12,800	2,689
5,239	9,000	9,000	(3,761)
78,638	91,763	91,763	(13,125)
431,220	1,482,804	1,505,100	(1,073,880)
80,549	17,800	17,800	62,749
<u>2,136,393</u>	<u>3,127,465</u>	<u>3,149,761</u>	<u>(1,013,368)</u>
317,850	318,752	318,752	902
255,502	357,129	389,763	134,261
25,525	25,800	25,800	275
153,896	172,004	172,004	18,108
413,848	374,587	425,602	11,754
667,829	553,608	553,608	(114,221)
181,604	139,000	181,604	-
632,190	1,449,804	1,449,804	817,614
<u>2,648,244</u>	<u>3,390,684</u>	<u>3,516,937</u>	<u>868,693</u>
(511,851)	(263,219)	(367,176)	(144,675)
<u>292,139</u>	<u>-</u>	<u>125,000</u>	<u>167,139</u>
(219,712)	(263,219)	(242,176)	<u>\$ 22,464</u>
<u>618,198</u>	<u>590,410</u>	<u>541,037</u>	
<u>\$ 398,486</u>	<u>\$ 327,191</u>	<u>\$ 298,861</u>	

See Accompanying Independent Auditors' Report

CITY OF OKOBOJI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$126,253. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service function.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF OKOBOJI  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>
<u>General Obligation Bonds and Notes:</u>			
General Obligation Bonds	April 1, 2002	3.00 - 4.55%	<u>\$ 850,000</u>
Paid from Debt Service			
Paid from TIF			
Total			
General Obligation Bonds (paid from TIF)	October 1, 2005	3.00 - 3.20%	<u>\$ 705,000</u>
General Obligation Refunding Notes	October 1, 2005	3.00 - 4.35%	<u>\$1,045,000</u>
Paid from Debt Service			
Paid from TIF			
Total			
General Obligation Bonds	May 1, 2007	3.65 - 4.00%	<u>\$1,100,000</u>
General Obligation Capital Loan Notes	April 1, 2008	3.75 - 4.10%	<u>\$ 550,000</u>
General Obligation Capital Loan Notes	June 1, 2009	3.25 - 4.625%	<u>\$1,500,000</u>
General Obligation Capital Loan Notes	August 30, 2010	3.25%	<u>\$ 125,000</u>
General Obligation Capital Loan Notes	June 1, 2009	3.00%	<u>\$4,398,000</u>
<u>Revenue Notes:</u>			
Water Revenue Capital Loan Notes	October 1, 2008	3.00%	<u>\$1,283,000</u>
TOTAL			



<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 125,000		\$ 60,000	\$ 65,000	\$ 5,628	
<u>80,000</u>		<u>40,000</u>	<u>40,000</u>	<u>3,600</u>	
<u>205,000</u>		<u>100,000</u>	<u>105,000</u>	<u>9,228</u>	
<u>120,000</u>		<u>40,000</u>	<u>80,000</u>	<u>4,480</u>	
215,000		215,000		7,418	
<u>525,000</u>		<u>50,000</u>	<u>475,000</u>	<u>20,622</u>	
<u>740,000</u>		<u>265,000</u>	<u>475,000</u>	<u>28,040</u>	
<u>900,000</u>		<u>5,000</u>	<u>895,000</u>	<u>36,605</u>	
<u>470,000</u>		<u>5,000</u>	<u>465,000</u>	<u>18,620</u>	
<u>1,425,000</u>		<u>100,000</u>	<u>1,325,000</u>	<u>55,857</u>	
	\$ 125,000		<u>125,000</u>		
<u>1,570,501</u>	<u>155,439</u>		<u>1,725,940</u>	<u>48,933</u>	
<u>1,016,000</u>		<u>42,000</u>	<u>974,000</u>	<u>30,480</u>	
<u>\$6,446,501</u>	<u>\$ 289,439</u>	<u>\$557,000</u>	<u>\$6,169,940</u>	<u>\$232,243</u>	

CITY OF OKOBOJI  
BOND AND NOTE MATURITIES  
JUNE 30, 2011

Year Ending June 30,	General Obligation Bonds and Notes									
	Capital Project Bonds Issued 4-1-2002		Capital Loan Notes Issued 10-1-2002		Refunding Notes Issued 10-1-2005		Capital Project Bonds Issued 5-1-2007		Capital Loan Notes Issued 4-1-2008	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	4.55%	\$105,000	3.75%	\$ 40,000	3.55%	\$ 45,000	3.80%	\$115,000	4.00%	\$ 55,000
2013			3.85	40,000	3.65	50,000	3.80	120,000	4.00	60,000
2014					3.75	45,000	3.85	125,000	4.00	60,000
2015					3.85	50,000	3.90	125,000	3.75	65,000
2016					3.95	50,000	3.95	130,000	3.85	65,000
2017					4.05	55,000	3.95	135,000	4.00	80,000
2018					4.15	55,000	4.00	145,000	4.10	80,000
2019					4.25	60,000				
2020					4.35	65,000				
2021										
2022										
2023										
2024										
2025										
2026										
2027										
2028										
TOTALS		<u>\$105,000</u>		<u>\$ 80,000</u>		<u>\$475,000</u>		<u>\$895,000</u>		<u>\$465,000</u>

Capital Loan Notes Issued 6-1-2009			Capital Loan Notes Issued 8-30-2010		Capital Loan Notes Issued 6-1-2009		Water Revenue Capital Loan Notes Issued 10-1-2008		
Interest Rate	Amount		Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
3.25%	\$ 100,000		3.25%	\$ 20,000	3.00%	\$ 184,000	3.00%	\$ 44,000	\$ 708,000
3.25	100,000		3.25	25,000	3.00	190,000	3.00	45,000	630,000
3.25	100,000		3.25	25,000	3.00	196,000	3.00	47,000	598,000
4.00	100,000		3.25	25,000	3.00	202,000	3.00	48,000	615,000
4.00	100,000		3.25	30,000	3.00	209,000	3.00	50,000	634,000
4.00	100,000				3.00	215,000	3.00	51,000	636,000
4.00	100,000				3.00	222,000	3.00	53,000	655,000
4.00	100,000				3.00	230,000	3.00	55,000	445,000
4.00	100,000				3.00	77,940	3.00	57,000	299,940
4.20	100,000						3.00	59,000	159,000
4.375	100,000						3.00	60,000	160,000
4.50	100,000						3.00	62,000	162,000
4.625	125,000						3.00	64,000	189,000
							3.00	66,000	66,000
							3.00	69,000	69,000
							3.00	71,000	71,000
							3.00	73,000	73,000
	<u>\$1,325,000</u>			<u>\$125,000</u>		<u>\$1,725,940</u>		<u>\$ 974,000</u>	<u>\$6,169,940</u>

CITY OF OKOBOJI  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
RECEIPTS:				
Property tax .....	\$ 1,065,298	\$ 1,000,356	\$ 908,324	\$ 875,381
Tax increment financing collections .....	42,929	75,310	546,769	471,519
Other city tax .....	417,031	364,536	409,698	407,692
Licenses and permits .....	15,489	10,956	15,705	17,581
Use of money and property .....	5,025	14,721	11,201	11,372
Intergovernmental .....	78,638	76,065	68,035	70,252
Charges for service .....	11,484	10,931	11,692	13,040
Special assessments .....	-	-	-	-
Miscellaneous .....	77,154	78,655	45,262	49,285
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>\$ 1,713,048</u>	<u>\$ 1,631,530</u>	<u>\$ 2,016,686</u>	<u>\$ 1,916,122</u>
DISBURSEMENTS:				
Operating:				
Public safety .....	\$ 317,850	\$ 345,873	\$ 315,060	\$ 309,038
Public works .....	255,502	301,882	237,557	319,433
Culture and recreation .....	25,525	33,202	23,696	25,306
Community and economic development	153,896	171,530	192,160	208,064
General government .....	413,848	363,606	343,442	366,915
Debt service .....	667,829	722,655	672,055	604,428
Capital projects .....	181,604	1,759,499	653,629	969,634
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>\$ 2,016,054</u>	<u>\$ 3,698,247</u>	<u>\$ 2,437,599</u>	<u>\$ 2,802,818</u>

## Schedule 3

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 807,564	\$ 778,482	\$ 741,016	\$ 670,899	\$ 636,218	\$ 569,939
433,158	340,613	324,043	260,566	224,741	134,914
421,773	373,107	363,002	358,850	366,651	356,348
36,315	7,298	9,928	16,183	5,454	6,085
46,095	33,710	6,661	5,552	27,907	43,618
68,342	73,261	76,800	76,078	95,643	100,099
13,868	11,954	16,886	-	-	-
-	-	1,856	22,266	45,629	50,385
77,087	53,910	51,941	60,004	94,044	101,143
<u>\$ 1,904,202</u>	<u>\$ 1,672,335</u>	<u>\$ 1,592,133</u>	<u>\$ 1,470,398</u>	<u>\$ 1,496,287</u>	<u>\$ 1,362,531</u>

\$ 273,470	\$ 275,750	\$ 253,819	\$ 216,384	\$ 262,643	\$ 284,300
240,756	330,831	443,906	152,108	210,582	291,221
20,341	35,711	18,345	17,132	63,718	73,821
193,782	142,225	188,613	150,192	69,250	114,000
356,488	321,609	370,559	322,433	303,440	293,758
759,187	561,211	435,825	1,327,440	403,392	297,085
236,575	1,308,172	84,713	24,587	1,063,292	446,219
<u>\$ 2,080,599</u>	<u>\$ 2,975,509</u>	<u>\$ 1,795,780</u>	<u>\$ 2,210,276</u>	<u>\$ 2,376,317</u>	<u>\$ 1,800,404</u>

**WINTHER, STAVE & Co., LLP**  
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council  
City of Okoboji, IA 51355

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Okoboji, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents, and have issued our report thereon dated November 29, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Okoboji's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as describe in the accompany Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Okoboji's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Okoboji's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Okoboji and other parties to whom the City of Okoboji may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Okoboji during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winter, Stave & Co., LLP*

November 29, 2011

CITY OF OKOBOJI  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011

**Part I: Findings Related to the Financial Statements**

**Internal Control Deficiency:**

- I-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider a review of our control procedures.

Conclusion - Response accepted.

**Instances of Noncompliance:**

No matters were noted.



CITY OF OKOBOJI  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting**

II-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the debt service function. In addition, disbursements in the capital projects function exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-11 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF OKOBOJI  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

II-H-11 Revenue Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

II-I-11 Financial Condition -The Debt Service Fund had a deficit balance of \$226 at June 30, 2011.

Recommendation -The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - We will increase our tax levy.

Conclusion - Response accepted.